

Indicate whether the sentence or statement is True or False. Mark "A" if the answer is True or "B" if the answer is False.		
	a. True	b. False
1. When the offeror communicates an offer to contract, the offeree is not required to accept it, but he or she may choose to do so.		
2. A promise must be binding to be consideration.	a. True	b. False
3. Minors have contractual capacity.	a. True	b. False
4. Valid contracts may be oral, written, implied from conduct, or some combination of these unless otherwise required by law.	a. True	b. False
5. Contractual rights may be transferred to another person by assignment; contractual duties may be transferred to another person by delegation.	a. True	b. False
6. When parties exchange goods for goods, the sale is a barter.	a. True	b. False
7. The bill of a sale is absolute proof of ownership.	a. True	b. False
8. Any person, innocent or knowingly, who buys stolen goods from a thief, receives title as well as possession.	a. True	b. False
9. When ownership transfers from one party to another, so do benefits and burdens.	a. True	b. False
10. Unlimited personal responsibility for all debts and for other liabilities that the business may incur is only true in a sole proprietorship.	a. True	b. False
11. In a limited partnership, each partner is liable only to the extent of their investment.	a. True	b. False
12. The partnership and all partners are liable when any partner commits a tort while acting within the scope of the firm's business.	a. True	b. False
13. In tenancy in partnership, each partner is a co-owner of the entire partnership property and is not the sole owner of any part of it.	a. True	b. False
14. Temporary possession and control of goods is the focus of the bailment relationship.	a. True	b. False
15. New drugs cannot be marketed in this country without FDA approval.	a. True	b. False
16. Negotiable instruments is another term for commercial paper.	a. True	b. False
17. To be negotiable, a promissory note or a certificate of deposit must contain a conditional promise to pay money.	a. True	b. False
18. Once made, a will cannot be changed or canceled.	a. True	b. False
19. A power of attorney is a writing that appoints someone as an agent.	a. True	b. False
20. Insurance is a contractual arrangement that protects against loss.	a. True	b. False
21. To obtain a contract of insurance against a risk, a premium must be paid.	a. True	b. False

22. The grace period is the time between when a claim is filed and the payment is received.	a. True	b. False		
23. Money damages received as a result of a tort is intended to compensate for the injury.	a. True	b. False		
24. All torts require that the defendant intended to injure the plaintiff.	a. True	b. False		
25. Punitive damages are always available where an intentional tort has been committed.	a. True	b. False		
Mark the correct answer on your Scantron sheet for each of the following questions.				
26. Which of the following is not one of the major requirements for a contract?	a. Time	b. Genuine assent	c. Capacity	d. Consideration
27. In misrepresentation, the statement must be one of	a. slander.	b. fact.	c. opinion.	d. unimportant information.
28. An untrue statement is not material if	a. the statement would cause a reasonable person to contract.	b. the defendant knew this plaintiff would rely on the statement.	c. the defendant knew the statement was false.	d. the statement was an honest opinion.
29. Which of the following is not given in mutual consideration?	a. An act	b. A gift	c. Forbearance	d. A promise
30. Which of the following is not a part of consideration?	a. Future performance	b. Immediate performance	c. Past performance	d. Present performance
31. When the consideration by both parties has been given back, the contract is said to be	a. disaffirmed.	b. emancipated.	c. non-necessary.	d. ratified.
32. Which of the following would not be an agreement that would restrain trade unreasonably?	a. Allocation of markets	b. Bid rigging	c. Price fixing	d. Franchising
33. When the terms of acceptance must exactly match the terms contained in the offer, it is called	a. a unilateral contract.	b. a bilateral contract.	c. a matching offer contract.	d. a mirror image rule.
34. Professionals such as physicians, teachers, lawyers, and pharmacists must have	a. a federal license.	b. a competency license.	c. a revenue license	d. a tax license.
35. When the court finds a contract illegal for unconscionability, it can	a. enforce the legal part and refuse to enforce the illegal part.	b. refuse to enforce the contract.	c. modify the terms of the contract to make it fair.	d. All of these
36. When interpreting a written contract, the courts generally seek	a. to guarantee that each party gets equal monetary value from the contract.	b. every possible interpretation of the contract to ensure equality.	c. to interpret the contract in terms of the parties' principal objective.	d. to side with the weaker party to the contract.
37. A typewritten agreement that includes a conflicting handwritten statement will be	a. interpreted based on the handwritten portion.	b. interpreted based on the typewritten portion.	c. considered illegal and unenforceable.	d. voided and a new contract written.
38. A party may assign contractual rights to another, provided	a. performance would be materially changed.	b. performance becomes substantially more difficult.	c. performance will not be materially changed.	d. there are personal injury claims.
39. The death or disability of the party who was to provide personal services	a. terminates the agreement.	b. transfers the obligation to the decedent's personal representative.	c. transfers the obligation to whomever the other party chooses at the expense of the disabled party or the deceased estate.	d. allows for a court-appointed substitute to perform the duty of the contract.

40. The basic remedies for a major breach of contract do not include	a. imprisonment.	b. money damages.	c. rescission and restitution.	d. specific performance.
41. Damages designed to punish and make an example of the defendant are	a. consequential.	b. liquidated.	c. punitive	d. nominal
42. Casual sellers	a. may be required to be licensed.	b. only sell occasionally.	c. only sell casual items.	d. are usually subjected to special taxation
43. Sales contracts are valid and enforceable in court if they are	a. written.	b. oral.	c. implied from the conduct of the parties.	d. all of these.
44. To be enforceable in court, a contract must be evidenced in writing if the goods are valued at	a. \$1,000 or more.	b. \$500 or more.	c. at least \$750.	d. more than \$1,500.
45. According to the Universal Commercial Code which of the following is true?	a. A casual seller and merchant are held to the same standards of conduct.	b. It treats buyers and sellers differently.	c. A casual buyer and merchant are held to the same standards of conduct.	d. A merchant is held to a higher standard than a casual seller.
46. The party in a contract who fails to fully perform the contract is known as the	a. injured party.	b. buyer.	c. damaged party.	d. defaulting party.
47. A legal proceeding in which a debtor's assets are distributed among his creditors in order to discharge the debts is known as	a. liquidation.	b. bankruptcy.	c. mitigation of debts.	d. waiver.
48. Countries who engage in international trade agree to respect the laws of the country with which are doing business. This principle is known as	a. comity.	b. mitigation.	c. enforceability.	d. international restitution.
49. Which of the following is not a basic remedy for a major breach of contract?	a. Rescission	b. Monetary damages	c. Substitution	d. Specific performance
50. Although Amy suffered no real injury when Doug failed to perform his contractual duties, the court awarded her a small amount in recognition that her rights had been violated. This type of award is known as a(n)	a. liquidated damage.	b. injunction.	c. mitigated damage.	d. nominal damage.
51. The amount of money that Jake will receive to offset his loss as a result of Bryan's breach of contract is known as	a. compensatory damages.	b. nominal damages.	c. waiver.	d. remedy.
52. The most numerous legal form of business organizations are	a. corporations.	b. non-trading partnerships.	c. sole proprietorships.	d. trading partnerships.
53. A partner who invests more capital, brings in more business, or works longer and harder than his or her associates is entitled to	a. a larger percentage of the business.	b. a larger share of the profits.	c. extra pay.	d. no extra compensation unless all partners agree.
54. Which type of business organization offers perpetual life as well as limited liability?	a. General partnership	b. Corporation	c. Sole proprietorship	d. Unlimited partnership
55. Tess, Constance, and Jessica want to establish a partnership for their law firm whose expressed purpose is to provide legal advice and legal representation. Each partner has agreed to assume full personal responsibility for all debts of the firm. The type of partnership they establish is a	a. general partnership.	b. special partnership.	c. limited partnership.	d. trading partnership.
56. Some states do not recognize this type of business organization as a separate entity from its owners, known as a	a. sole proprietorship.	b. partnership.	c. corporation.	d. joint venture.

57. Elements of bailment do not include	a. personal property.	b. possession and control of the goods by the bailee.	c. real property.	d. return of identical or fungible goods.
58. If Antonio rents a car for one week from Ugly Duckling Rent-A-Car at a price of \$109.25, what type of bailment was created?	a. Extraordinary	b. Ordinary bailment	c. Mutual benefit	d. Involuntary
59. Brian represents Midwest Candy & Fund Raising. In his capacity he contacts Christine who agrees to take 40 boxes of Midwest's "Chocolate Turtles" for her organization to sell at a price of \$8 per box. At the end of a two-week time period, Christine will return any unsold and unopened boxes of candy and pay Midwest \$4 for each box sold. In this situation, which of the following is true?	a. Midwest is the bailor and Christine is the bailee.	b. Brian is the bailor and Christine is the bailee.	c. Christine is the bailor and Midwest is the bailee.	d. Christine is the bailor and Brian is the bailee.
60. While on vacation, Rick asks if he can place his vehicle in your garage for safekeeping until he returns. Which of the following is untrue in this situation?	a. A gratuitous bailment exists for the sole benefit of the bailor.	b. A gratuitous bailment exists for the sole benefit of the bailee.	c. In this type of bailment, before transferring possession Rick should examine the vehicle for defects.	d. You may not drive Rick's car unless driving is necessary to preserve or maintain it.
61. Consumer protection of consumer goods and services often begins with	a. caveat venditor.	b. class actions.	c. licensing suppliers.	d. mandatory inspections of all businesses.
62. The one who makes a warranty is known as a(n)	a. guarantor.	b. disclaimer.	c. warrantor.	d. warrantee.
63. Which of the following statements is not true?	a. An express warranty may be oral or written.	b. By law, sellers are required to give warranties warranty.	c. The law requires warranties on consumer products costing more than \$15 must meet certain standards.	d. Warranties must be written in simple and readily understandable language.
64. Lavonne receives four desk calendars from Time-Date, Inc., that she did not order. Two weeks later, Time Date calls Lavonne, demands payment, and then threatens to ruin her credit rating by turning her delinquency in to a local credit bureau. This situation is an example of	a. commercial bribery.	b. unfair trade practices.	c. confidence games.	d. solicitation.
65. Hilda enjoys taking her children to the local ice cream parlor. The assurance that the ice cream she purchases is wholesome and fit for human consumption is an example of a(n)	a. expressed warranty.	b. strict liability.	c. Caveat Emptor.	d. warranty of merchantability.
66. The most common type of endorsement that automatically transfers order paper into bearer paper is a	a. blank endorsement.	b. qualified endorsement.	c. restrictive endorsement.	d. special endorsement.
67. An endorsement such as "For Deposit Only" is	a. a blank endorsement.	b. a qualified endorsement.	c. a restrictive endorsement.	d. a special endorsement.
68. If no date is placed on commercial paper, it	a. is invalid and non-negotiable.	b. must be returned to the maker.	c. is, therefore, assumed to be payable immediately upon presentment.	d. can be antedated.
69. Which of the following is not a factor in determining the negotiability of an instrument?	a. It must be payable in a sum certain in money.	b. It must be payable on demand or at a definite time.	c. It must be payable to the bearer or to someone's order.	d. The instrument must be typewritten.

70. Which type of commercial paper is more specific as to whom it is payable?	a. Bearer paper	b. UCC paper	c. Order paper	d. Traveler's check
71. A will only takes effect	a. upon the death of the maker.	b. upon the witnessed signing of it.	c. upon the official recording of it.	d. upon the one-year anniversary of the death of the maker.
72. A constructive trust is a type of	a. charitable trust.	b. express trust.	c. implied trust.	d. private trust.
73. Skip has an estate valued at over \$2,000,000 and would like to transfer some of the property to his attorney with clear instructions how this property is to be managed during and after his life for the benefit of his wife and children. Skip has created a	a. living will.	b. codicil.	c. testamentary will.	d. trust.
74. Which of the following situations would create an invalid will for Jan?	a. Jan undoubtedly wants to create a will; she understands the property involved; and she is over the age of 18.	b. Jan undoubtedly wants to create a will; has full mental capacity; and writes her will.	c. Jan undoubtedly wants to create a will; she is 65 years old; her children serve as witnesses to her will.	d. Jan wants to create a will; is not senile; her lawyer's secretary witnesses her will.
75. Any agreement reached by the representative in an agency relationship binds	a. the agent and the principal.	b. the agent and the third party.	c. the principal and the third party.	d. the employee and the third party.
76. A warranty of the principal's capacity is imposed by law on the	a. agent.	b. employer.	c. principal.	d. third party.
77. Which of the following is not a fiduciary duty?	a. Loyalty	b. Commingling	c. Obedience	d. Confidentiality
78. In which relief plan must the debtor have regular income, unsecured debts of less than \$250,000, and/or secured debts of less than \$750,000?	a. Straight bankruptcy	b. Chapter 13	c. Chapter 11	d. Chapter 12
79. The bankruptcy law that involves liquidation of nonexempt property is	a. Chapter 7.	b. Chapter 11.	c. Chapter 12.	d. Chapter 13.
80. The first to be paid from the proceeds of liquidation would be	a. administrative expense.	b. certain unpaid taxes.	c. secured creditors.	d. unpaid wages, salaries, and commissions.
81. The stated maximum amount of money that can be paid on an insurance policy is the	a. benefit.	b. endorsement.	c. face value.	d. premium.
82. Insurance providing protection against claims of parties who suffer injury or other loss as a result of negligence committed by the insured would be	a. fidelity.	b. inland marine.	c. liability.	d. social.
83. Devon purchased a type of insurance that will pay his wife a set amount in the event of his death. This type of insurance is known as	a. casualty insurance.	b. beneficiary insurance.	c. life insurance.	d. surety bond.
84. Emma just purchased automobile insurance. The portion of Emma's automobile insurance that protects her vehicle if it should collide with her next door neighbor's tree is called	a. comprehensive.	b. the negligence clause.	c. inland marine.	d. collision.
85. The grounds-keeper in Janna's apartment complex failed to properly notify her and other residents about the slick conditions resulting from a broken water pipe in the building. Janna subsequently fell and broke her ankle. What type of tort was committed in this instance?	a. Intentional	b. Negligence	c. Vicarious	d. Strict

86. When a civil judgment for the plaintiff becomes final, the defendant normally pays the judgment. If the defendant does not pay, what may the plaintiff obtain to enforce the judgment?	a. Writ of execution	b. Liquidation order	c. Writ of certiorari	d. Subpoena
87. Which of the following would probably not be considered strict liability?	a. Raising tulips	b. Raising tigers	c. Selling defective car seats	d. Storing several 100-gallon tanks of propane gas in your garage
88. The right to increase the capital stock of the corporation	a. belongs to the shareholders alone.	b. is done only by proxy vote.	c. is the preemptive right.	d. is up to the board of directors.
89. The EEOC prosecuted Jason for an agency violation. In regards to agency prosecution for violations, which of the following is untrue?	a. Despite agency employee expertise, objectivity in prosecution may be lacking.	b. Both the judge and the prosecutor will be EEOC employees.	c. The outcome is fairly predictable; the agency wins.	d. The judge, but not the prosecutor, will be an EEOC employee.
90. Which of the following is not a facet of the debtor-creditor relationship?	a. Reasonable borrowing of money is beneficial to all parties involved.	b. Extension of credit facilitates economic growth.	c. The economic growth from credit creates more jobs for producers and more goods for consumers.	d. Although it is a common practice, it is illegal to charge interest on loans.
91. In which of the following situations can either an HDC or HHDC collect on commercial paper?	a. Fraud in the inducement	b. Failure of consideration	c. Theft	d. Fraud in the execution of the paper
92. Which of the following is a universal defense to collection?	a. Prior payment	b. Non-delivery	c. Forgery	d. Breach of contract
93. Which of the following statements regarding agency termination is untrue?	a. Both the agent and the principal have the right, but not the power, to terminate the agency.	b. Both the agent and principal have the power, but not the right, to terminate the agency.	c. By revoking the agent's authority, the principal dissolves the agency.	d. An agent may lack the right to terminate unless the principal has breached the contract.
94. Wilma bought a life insurance policy on the life of her husband Jeff. She also purchased a fire insurance policy on the couple's home. Unfortunately, Wilma and Jeff got a divorce. In the property settlement between the couple, Jeff took sole ownership and responsibility for the house, and Wilma took other unrelated property. A fire occurred at the house, and Jeff died from smoke inhalation. Will Wilma be able to collect on either insurance policy?	a. She can collect on the life insurance policy, but she cannot collect on the fire insurance policy.	b. She can collect on the fire insurance policy, but she cannot collect on the life insurance policy.	c. She can collect on both policies.	d. She cannot collect on either policy
95. Barry is told by his father to chip out a small hole in the family's cement patio. He goes to the family tool chest. He could not find a heavy-duty chisel, so he picks out a Phillips screwdriver. With a hammer and screwdriver, he begins to chip out the cement. After fifteen minutes, the screwdriver shatters, and a sliver of metal lodges in Barry's eye. Does the manufacturer of the screwdriver have a defense to a strict liability claim for the harm to Barry's eye? Which of the answers below answers the questions?	a. Because Barry actually suffered physical harm while using the product, the manufacturer has no defense.	b. The screwdriver was not substantially changed from the time it was sold to the time Barry sustained his injuries, therefore, the manufacturer has no defense.	c. Barry misused the screwdriver. This misuse should be a defense for the manufacturer and seller of the screwdriver.	d. Because Barry was not aware of the potential risk in using the screwdriver, the manufacturer has no defense.

96. Sorensen and some friends went hunting on Laker's private ranch without her permission. Can Laker bring a lawsuit for damages against Sorensen and the others?	a. No. Sorensen and his friends did not actually damage the property, so no damages were sustained and a tort has not been committed.	b. No. Sorensen and his friends did not intentionally trespass on the property, therefore, no tort was committed.	c. Yes. Laker can file a lawsuit for the tort of invasion of privacy.	d. Yes. Tort law presumes an injury from someone's unwelcome presence on the property of another.
97. Betty was at a baseball game seated one row behind a famous movie star. When she stood up to cheer, she was bumped by the person beside her. She lost her balance and fell into the lap of the movie star. Which of the following is correct?	a. Betty did not intend to put the movie star in fear, nor did she cause the touching, therefore, no tort was committed.	b. Betty put the movie star in a state of fear, therefore, the tort of assault has been committed.	c. Betty invaded the movie star's personal space, therefore, the tort of invasion of privacy has been committed.	d. A person has the right to be free from harmful or offensive touching, therefore, Betty committed the tort of battery against the movie star.
98. In an oral contract, Lane ordered a \$750 customized silver-plated trophy from Martin's Trophy shop. The trophy was to be awarded to the winner of the Metro Town Drag Racing Competition. Martin had already completed a three-dimensional racing car and mounted it on a black marble base. Then Lane cancelled the order saying the races had been cancelled. "We expected to sell 5,000 tickets," he said, "but we've sold only 500." Which of the following is correct?	a. Lane is liable to Martin for breach of contract because the trophy was not suitable for sale to others in the ordinary course of his business, and he had made a substantial beginning in producing it.	b. Lane is not liable to Martin for breach of contract. According to the Statute of Frauds, all goods over \$500 must be in writing to be enforceable.	c. Lane is not liable to Martin for breach of contract because the exception to the Statute of Frauds states that a sales agreement may be cancelled by either party anytime before the completion of the manufacture of the goods.	d. Lane is liable to Martin because the oral contract was for goods under \$1000, which is required by the UCC.
99. Dane Deloy, 17, buys an electric guitar. She tells the owner of the shop that she is 19. She returns the guitar and demands the return of her money two months later. The owner refuses to comply. Can Deloy void the contract?	a. Yes. Deloy was a minor and can void the contract. In most states, minors' rights to void contracts for purchases other than necessities are not affected by false statements of age.	b. Yes. Deloy was a minor and either party to the contract can void the contract.	c. No. Deloy committed fraud claiming to be over the age of majority and cannot void the contract.	d. No. Deloy did not return the guitar within 24 hours and therefore ratified the contract.
100. Shannon Banks and Billie Brown met at an expensive restaurant for dinner. When she arrived at the restaurant, Shannon turned over her car to the valet parking attendant, who parked the car. Billie parked her car herself in another lot. When Shannon entered the restaurant, she checked her coat. In the pocket of the coat was her mother's \$4,000 diamond necklace. Which of the following statements is not true?	a. Valet parking is usually a bailment.	b. Self-parking is not usually a bailment.	c. A bailment of the coat at the restaurant exists.	d. A bailment of the necklace at the restaurant exists.

FBLA BUSINESS LAW ANSWER KEY

1.	A	26.	A	51.	A	76.	A
2.	A	27.	B	52.	C	77.	B
3.	B	28.	D	53.	D	78.	B
4.	A	29.	B	54.	B	79.	A
5.	A	30.	C	55.	A	80.	C
6.	A	31.	A	56.	B	81.	C
7.	A	32.	D	57.	C	82.	C
8.	B	33.	D	58.	C	83.	C
9.	A	34.	B	59.	A	84.	D
10.	B	35.	D	60.	B	85.	B
11.	B	36.	C	61.	C	86.	A
12.	A	37.	A	62.	C	87.	A
13.	A	38.	C	63.	B	88.	A
14.	A	39.	A	64.	B	89.	D
15.	A	40.	A	65.	D	90.	D
16.	A	41.	C	66.	A	91.	D
17.	B	42.	B	67.	B	92.	C
18.	B	43.	D	68.	C	93.	B
19.	A	44.	B	69.	D	94.	A
20.	A	45.	D	70.	C	95.	C
21.	A	46.	D	71.	A	96.	D
22.	B	47.	B	72.	C	97.	A
23.	A	48.	A	73.	D	98.	A
24.	B	49.	C	74.	C	99.	A
25.	A	50.	D	75.	C	100.	C